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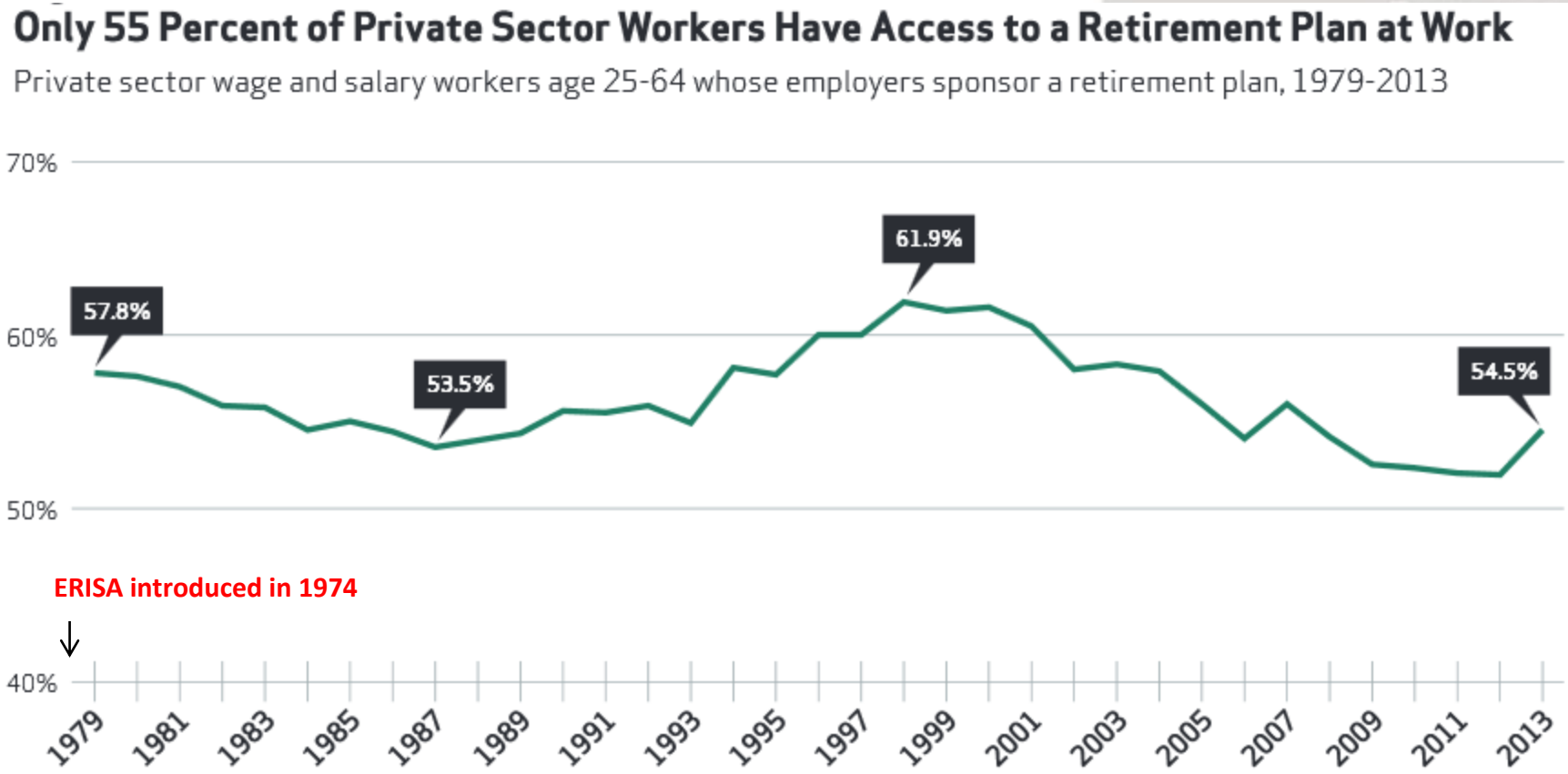
# Connecticut Retirement Security Board Meeting
# August 17, 2017

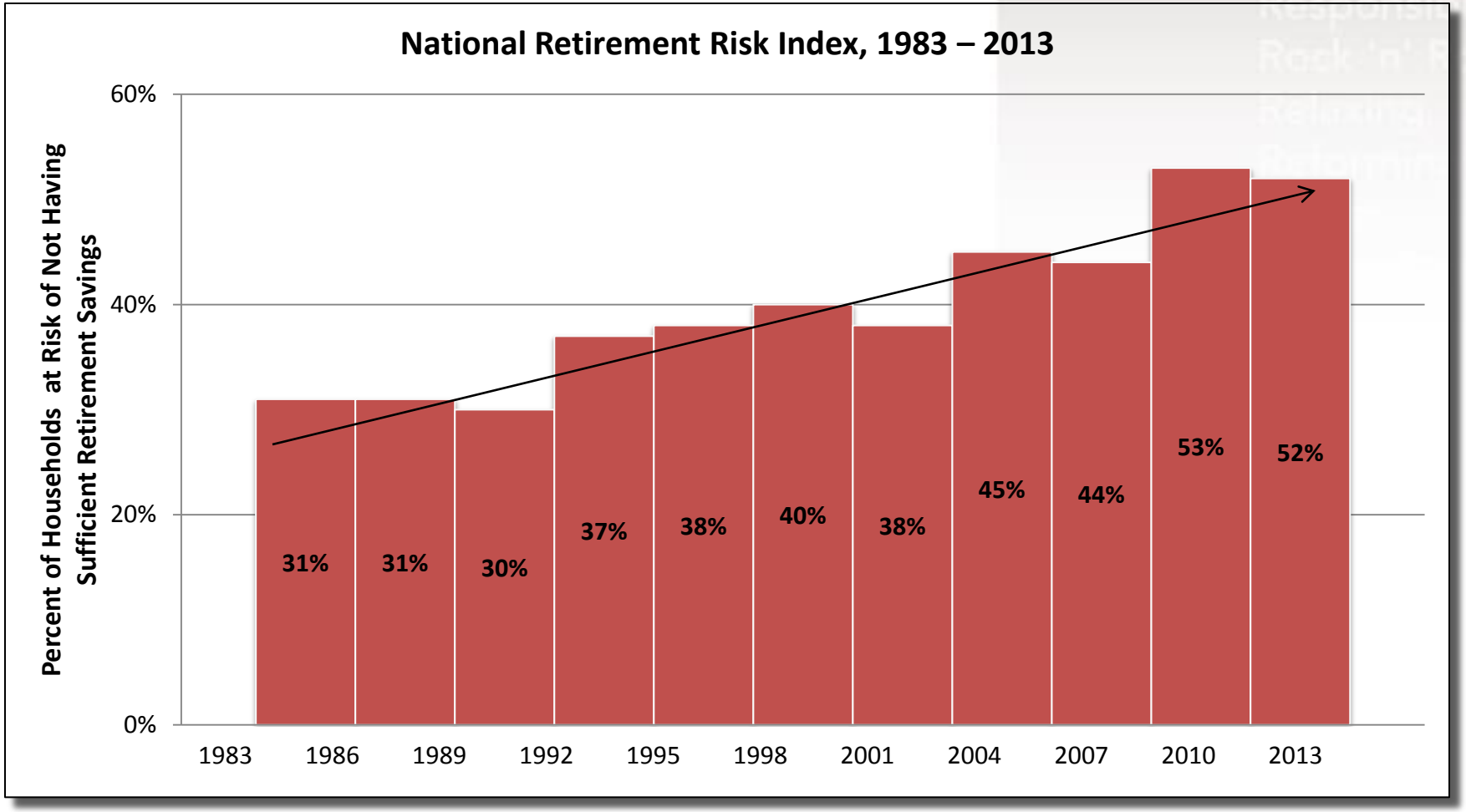
AARP
Real Possibilities

# Access to Workplace Savings Plans Static Over 30+ Years




Source: NIRS, "The Continuing Retirement Savings Crisis"

# Risk of Financial Insecurity in Retirement on the Rise




Source: Center for Retirement Research, National Retirement Risk Index

# Cost Savings

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## Connecticut Could Save $90 Million by Helping People Save for Their Own Retirement

William Shiflett and Catherine Harvey
*AARP Public Policy Institute*

When individuals save for retirement they are less likely to rely on public assistance programs later in life. State-facilitated retirement savings plans for small-business employees would help people save more for retirement and, in turn, save significant taxpayer dollars for programs like Medicaid, Supplemental Security Income, the Supplemental Nutrition Assistance Program, and housing assistance. More than 30 states are considering creating retirement plans for private-sector workers whose employers do not already offer one. New research finds that Connecticut would save $90 million on public assistance programs between 2018 and 2032 if lower-income retirees save enough to increase their retirement income by $1,000 more per year.

# National Landscape

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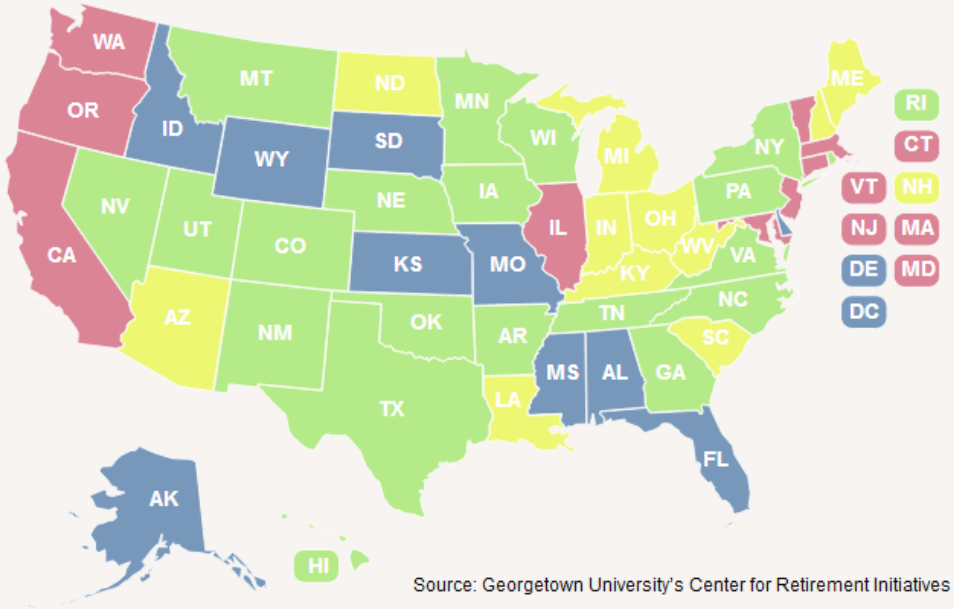
**STATE INITIATIVES TRANSFORMING THE RETIREMENT SAVINGS LANDSCAPE**

On June 8, 2017, **Vermont** became the first state to enact a state-facilitated Multiple Employer Plan (MEP) and the **ninth state** to enact a program to help expand access to retirement savings options for private sector workers.

Vermont now joins other states, including **California**, **Connecticut**, **Illinois**, and **Maryland** implementing their new programs, and two states –**Oregon** and **Washington** – are currently scheduled to begin to open their programs for enrollment in 2017.

In 2017, at least 22 other states and cities have introduced legislation to address the retirement savings gap among private-sector workers. Since 2012, 40 states have acted to implement, study or consider legislation to establish state-facilitated retirement savings programs.




Source: Georgetown University's Center for Retirement Initiatives

= legislative proposal and/or study in 2017
= laws enacted (2012-present)
= recent state efforts (2012-2016)

# National Context

**Oregon**

OregonSaves was the first program in the nation to go live on July 1, 2017 with its first statewide pilot of 11 employers. The second phase of the pilot is scheduled to begin in October 2017.

**California**

The California Secure Choice Retirement Savings Investment Board anticipates that the program will be will be fully operational in late 2018 and will be phased in over three years.

**Illinois**

The Illinois Secure Choice program is anticipated to begin its phase one pilot program in 2018. The Board has released certain information, including the investment principles, feasibility study, and demographic overview.

**Maryland**

The Maryland Small Business Retirement Savings Program is expected to be implemented by the end of 2018 or sometime in 2019.

# Oregon

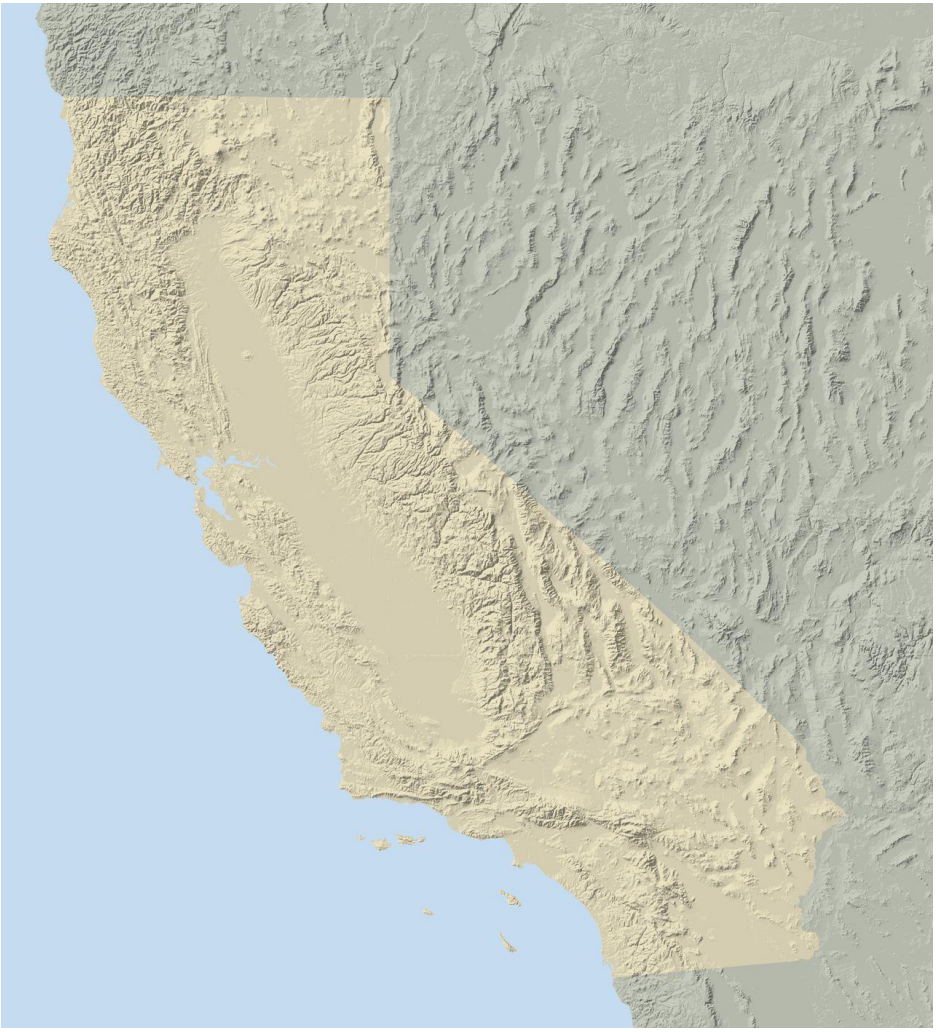
**Current Status** The Oregon Retirement Savings Board has been meeting since November 2015, and the OregonSaves program was the first in the country to go live on July 1, 2017. The first statewide pilot included 11 employers.

**Funding** The program was appropriated $250,000 to be used for reimbursing other state agencies for providing outreach or technical assistance services, and $743,541 to be used for the operating expenses of the Board.

# California

**Current Status** California's bill was effective January 1, 2017, and the California Secure Choice Retirement Savings Investment Board is working on details of implementation. The program will likely go into effect late 2018 or early 2019, and will thereafter be phased in over the following three years. California has hired an Executive Director, and has established employee and employer stakeholder groups.

# California



**Funding** The program was appropriated $1.9 million as a loan for administrative costs, to be repaid by June 230, 2022. A larger line of credit was given for future expenditures.

**Next Steps** A contract for marketing services, RFP/RFI assistance, public relations has been awarded. The next Board meeting is scheduled for August 28, 2017.

# California

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K&L GATES

May 16, 2017

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**By E-mail and FedEx**

Katie Selenski
Executive Director
California Secure Choice
915 Capitol Mall, Room 110
Sacramento, CA 95814

**Re: California Secure Choice**

Dear Ms. Selenski:

The California Secure Choice Retirement Savings Trust Act (the "**Act**") established the Secure Choice Retirement Savings Board ("**Board**") and instructed the Board to design and establish a retirement savings program for private sector workers ("**Secure Choice**" or the "**Program**").[1] The Act provides that the Board may not implement Secure Choice if it would be considered an employee benefit plan under the Employee Retirement Income Security Act ("**ERISA**").[2] In addition, the Act expressly required that the Program qualify as a non-ERISA plan under an anticipated Department of Labor ("**DOL**") "safe harbor" regulation covering state-based IRA savings programs. Such a regulation was issued as DOL Regulation Section 2510.3-2(h) ("**2016 Safe Harbor**"). However, the 2016 Safe Harbor is expected to be revoked under the Congressional Review Act ("**CRA**").[3] While I understand that the California legislature intends to eliminate the reference to the 2016 Safe Harbor from the Act, the requirement that Secure Choice may not be an ERISA-regulated plan is expected to remain.

You have asked my advice on the effect of the CRA disapproval resolution on Secure Choice, in particular the Board's efforts to develop the Program as a non-ERISA savings vehicle. Subject to the discussion and assumptions below, I believe that pre-2016 DOL safe harbor guidance and applicable case law provide firm grounds for the Board to accomplish its mission to design and implement Secure Choice as a non-ERISA savings program for private sector workers in California. In addition, I believe that current law should not impede the Board if it chooses to consider Program designs using an "opt out" negative election approach.

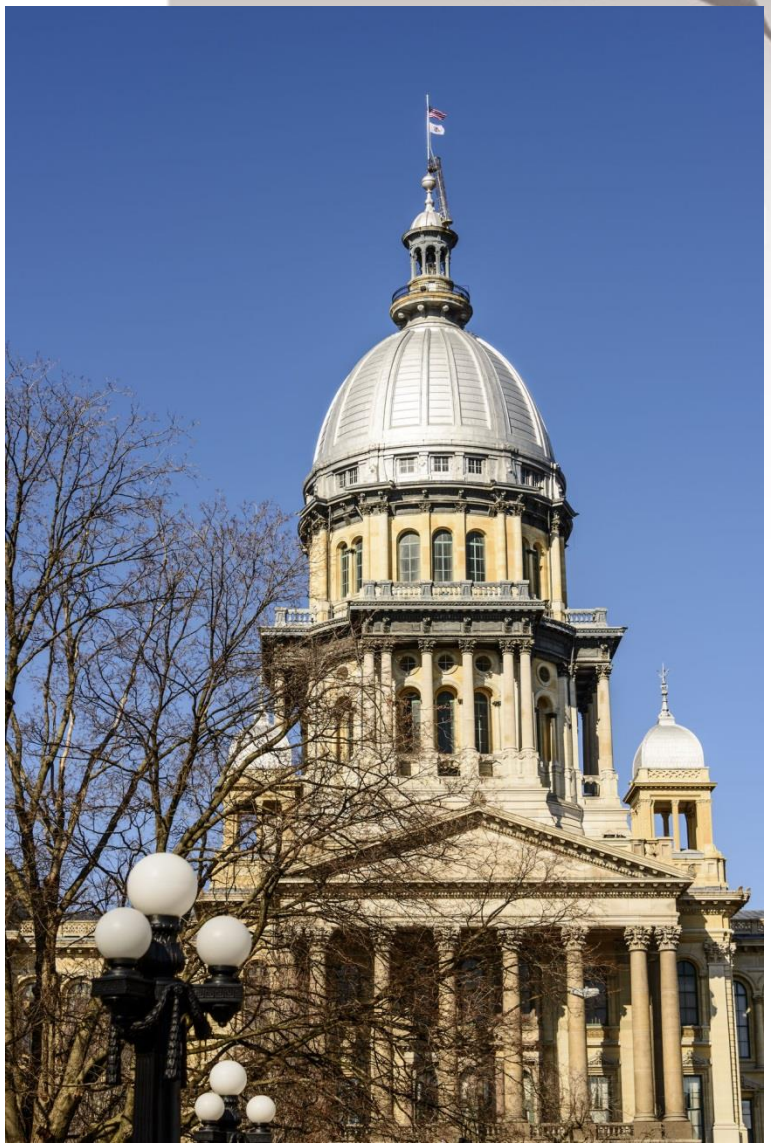
# Illinois



**Current Status** The Illinois Secure Choice Savings Board has been meeting since August 2015. The program is anticipated to begin its phase one pilot program in 2018. The Board has released the investment principles, feasibility study, and demographic overview.

**Funding** The program was given a line of credit of $2.1 million to assist with startup costs, to be repaid once the program is operational. The state has used roughly $500k.

**Next Steps** A provider has been selected to run the day-to-day operations of the program, and a Program Manager has been approved. The next meeting of the Board is scheduled for September 14, 2017.



# Maryland

**Current Status** The Maryland Small Business Retirement Savings Board began meeting in November 2017, and is tasked with establishing the Maryland Small Business Retirement Savings Trust and implementing the Maryland Small Business Retirement Savings Program.

**Funding** An initial startup loan of $400,000 has been approved. The Board may borrow from the state or other entities to fund the program in its early stages, and eventually the program will generate its funding through program account fees.

# Maryland

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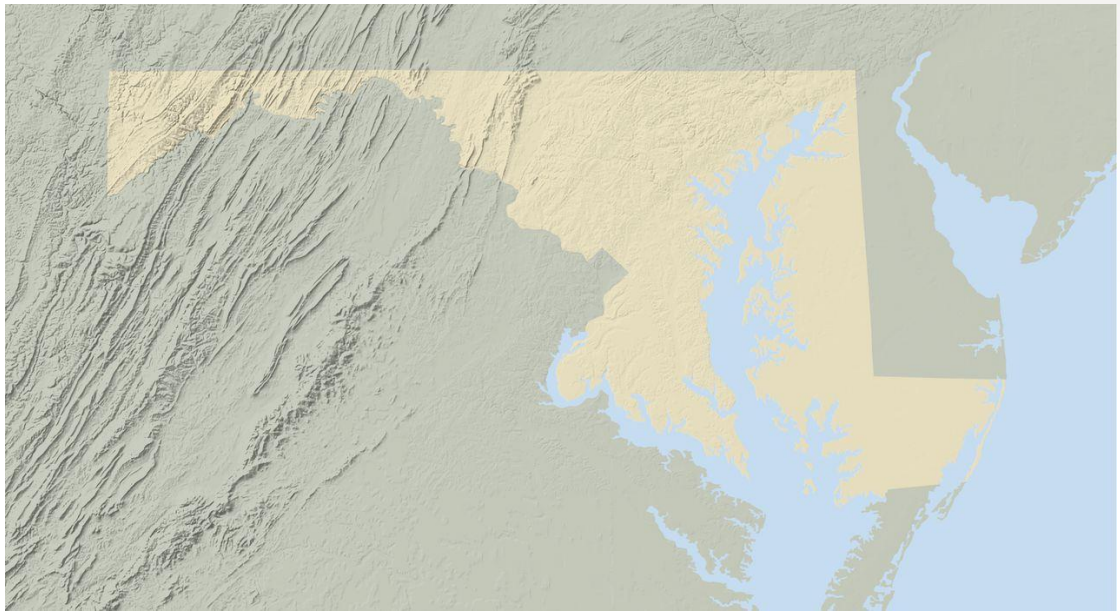
**Next Steps** The Board is currently organizing itself into an entity, and is looking to hire an Executive Director this year. Implementation of the program is still being discussed, and is expected to begin by the end of 2018 or sometime in 2019.



# Best practices from other states

- Hire an executive director ASAP
- Have some meeting time dedicated to reviewing the statute and feasibility study, as well as discussing Connecticut's board processes. Discuss hiring process for executive director.
- Work to build trust- internally and externally
  - Employer, employee, and provider stakeholder engagement groups
- Keep to deadlines. When not possible, set realistic new ones.
- First deliverables: draft a project timeline and executive director description.
- Don't get into the weeds upfront
- Use the work of other states to your advantage
  - Feasibility studies in CA and IL
  - Oregon regulations
  - Legal assistance

# Questions?

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State Financial Security & Consumer Affairs
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Additional Resources:
AARP's Public Policy Institute State Retirement Savings Resource Center
http://www.aarp.org/ppi/state-retirement-plans/